

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00  
DODE-00 FRB-01 H-02 INR-10 INT-05 L-03 LAB-04  
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FM AMCONSUL TORONTO  
TO SECSTATE WASHDC 7080  
INFO AMEMBASSY OTTAWA  
USMISSION GENEVA  
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UNCLAS TORONTO 0570

GENEVA FOR USDEL MTN

E.O. 11652: N/A  
TAGS: EMTN, ETRD, CA  
SUBJ: ONTARIO PUBLISHES ITS MTN POLICY

REF: 77 TORONTO 951; 77 TORONTO 2679

1. SUMMARY: IN ITS SUBMISSION TO FEDERAL GOVERNMENT AND CANADIAN MTN NEGOTIATORS, ONTARIO HAS STRESSED THREE BASIC THEMES, ACCORDING TO THE PROVINCIAL MINISTRY OF INDUSTRY. THESE ARE: IMPORTANCE OF MTN TO ONTARIO ECONOMY; PROVINCE'S CONCERN WITH ACHIEVING RECIPROCITY: AND NEED TO DEVELOP APPROPRIATE ADJUSTMENT POLICES BEFORE CONCLUSION OF NEGOTIATIONS. END SUMMARY.

2. ONTARIO'S VARIOUS SUBMISSIONS TO FEDERAL GOVERNMENT AND CANADIAN MTN NEGOTIATORS REGARDING PROVINCE'S VIEWS OF MTN HAVE BEEN SUMMARIZED BY PROVINCIAL MINISTRY OF INDUSTRY AND TOURISM IN ONE OF ITS PERIODICALS, "ONTARIO BUSINESS UNCLASSIFIED

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NEWS" (FEB-MAR'78) PREPARED BY DIVISION OF INDUSTRY AND TRADE.

3. THE FIRST THEME STRESSED BY THE PROVINCE IS IMPORTANCE OF GENEVA NEGOTIATIONS TO ITS ECONOMIC WELL BEING. TWENTY-NINE PER CENT OF PROVINCIAL GNP IS DERIVED FROM EXPORT SALES; 80 PERCENT OF ITS EXPORTS GO TO THE US; HALF OF

CANADA'S MANUFACTURING AND TWO-THIRDS OF ITS FRUIT AND VEGETABLE PROCESSING TAKE PLACE IN ONTARIO.

4. ONTARIO'S SECOND THEME IS THAT RECIPROCITY MUST BE ACHIEVED FOR SECONDARY MANUFACTURING AND AGRICULTURE IF THE COSTS OF INCREASED COMPETITION RESULTING FROM LOWER TRADE BARRIERS ARE TO BE BALANCED BY IMPROVED ACCESS TO FOREIGN MARKETS, PARTICULARLY US, EEC AND JAPAN. THIS INCLUDE LOWERING OF FOREIGN NON-TARIFF BARRIERS, SUCH AS TENDERING PROCEDURES, RESTRICTIVE BUYING, AND UNFAIR SUBSIDY PRACTICES, WHICH WOULD PROVIDE GREATER OPPORTUNITIES FOR ONTARIO PROFESSIONAL SERVICES (ENGINEERING, MANAGEMENT CONSULTING, SYSTEMS WORK) AND HIGH TECHNOLOGY INDUSTRIES (TELECOMMUNICATIONS, HEAVY ELECTRICAL EQUIPMENT, AND URBAN TRANSPORT EQUIPMENT).

5. SHOULD CANADA ACHIEVE ONLY PARTIAL SUCCESS IN OBTAINING REDUCTION OF NTB'S, THEN RECIPROCITY WOULD HAVE TO COME FROM THE TARIFF SECTOR, WHICH CONSIDERED EQUALLY, IF NOT MORE, DIFFICULT. THIS BECAUSE CANADA, WITH RELATIVELY HIGH TARIFFS, WOULD HAVE TO PROVIDE GREATEST CUTS UNDER TARIFF CUTTING FORMULA. HENCE, IN ONTARIO'S VIEW, FEDERAL NEGOTIATORS WOULD HAVE TO OBTAIN SUBSTANTIAL NUMBER OF EXCEPTIONS TO FORMULA SO THAT AVERAGE REDUCTION IN CANADIAN TARIFFS WOULD NOT

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EXCEED REDUCTIONS IN FOREIGN TARIFFS FACED BY CANADIAN EXPORTS. IN ADDITION, THOSE INDUSTRIES CURRENTLY RELYING ON TARIFFS FOR VIABILITY, ESPECIALLY THOSE WITH GOOD PROSPECTS FOR FUTURE GROWTH, MUST CONTINUE TO ENJOY APPROPRIATE LEVEL OF PROTECTION.

6. CANADA MUST ALSO OBTAIN MAXIMUM CREDIT FOR VOLUNTARY TARIFF REDUCTION IN CASES WHERE ACTUAL CANADIAN RATE LOWER THAN FORMALLY AGREED GATT RATE. MOREOVER, GREATER-THAN-FORMULA REDUCTIONS MUST BE OBTAINED IN CASES WHERE LOW (UNDER 10 PERCENT) US TARIFFS WOULD BE CUT ONLY marginally. ONTARIO ALSO PROPOSES SEASONAL PROTECTION FOR ITS HORTICULTURAL INDUSTRIES AND SHIFT TO AD VALORUM TARIFF RATES ON AGRICULTURAL PRODUCTS.

7. EVEN IF ALL ONTARIO'S OBJECTIVES MET, THERE WILL STILL BE ADJUSTMENT COSTS, AND, BECAUSE OF ITS MAJOR ECONOMIC POSITION IN CANADA, ONTARIO CAN BE EXPECTED TO INCUR LARGEST PROPORTION OF THEM. THUS, ONTARIO PROPOSES CO-OPERATIVE FEDERAL-PROVINCIAL EFFORT TO DESIGN AND IMPLEMENT ADJUSTMENT POLICIES BEFORE GENEVA NEGOTIATIONS ARE CONCLUDED. AMONG THESE

ONTARIO RECOMMENDS: IMPROVEMENT IN INVESTMENT CLIMATE;  
INCREASED SUPPORT FOR INDUSTRIAL R & D; RESTRUCTURING  
OF CURRENT GOVERNMENT POLICIES AND PROGRAMS AFFECTING  
INDUSTRY; ESTABLISHMENT OF INDUSTRIAL SECTOR COMMITTEES  
TO IDENTIFY SPECIFIC ADJUSTMENT PROBLEMS AS THEY ARISE;  
MORE RAPID AND EFFECTIVE DEFENSE AGAINST UNFAIR TRADE  
PRACTICES; AND PUBLIC SECTOR FISCAL RESTRAINT. "ONTARIO,"  
THE SUMMARY CONCLUDES, "IS NOT PREPARED TO SEE LOWER  
TRADE BARRIERS IN CANADA ACHIEVED AT THE PRICE OF  
IRREPARABLE DAMAGE TO ITS SECONDARY MANU-  
FACTURING AND AGRICULTURE."

8. COMMENT: THE SUMMARY REFLECTS - AND FLESHES OUT -  
PREVIOUS STATEMENTS OF ONTARIO TRADE POLICY MADE BY  
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PROVINCIAL TREASURER (SEE REFTELS. BECAUSE OF ONTARIO'S  
DOMINANT POSITION IN CANADIAN ECONOMY, IT IS REASONABLE  
TO EXPECT CANADIAN MTN NEGOTIATING POSITION TO CLOSELY  
REFLECT THESE VIEWS.  
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## Message Attributes

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